# ACTIONS TO IMPROVE FARM INCOME

These actions, or initiatives, to improve farm income were announced by Vice Preident Mondale and Secretary of Agriculture Bob Bergland at a White House press conference on March 29, 1978

## Background

The world has harvested two consecutive large crops; U.S. farmers have harvested three. Declining commodity prices and farm incomes in 1977 were due to:

-- Large world-wide supplies of grains, oilseeds and fibers; further accumulation of stocks of these commodities in the United States,

-- Continued liquidation of the domestic cattle herd (feeding was still unprofitable and drought caused poor pasture conditions in many areas);

-- Steadily increasing production costs while commodity prices declined, placing farmers in the classic cost-price squeeze.

Realized net farm income declined to $20 billion in 1977 -- in real terms a level equivalent to 1971.

The result was severe cash flow and debt repayment problems for many farmers. The severity of the financial difficulties varies from commodity to commodity, region to region and even farm to farm.

## Recent Market Developments

Most commodity prices have shown appreciable increases in recent months from earlier lows:

-- Wheat at Kansas City from $2.30 last June to $3.20 now;
-- Corn at Chicago from the fall low of $1.80 to $2.43
-- Cotton at Memphis from 48 cents at the turn of the year to 56 cents;
-- Soybeans at Chicago from $5.50 in October to near $7,
-- Rice from $6.87 at mid-year to $11.40 in February;
-- Choice steers at Omaha from $37 last spring to over $50;
-- Hogs from $36 last April to $48 now.

These price improvements reflect:

-- In the crops sector, increased use of the farmer-held reserve, improved export markets (particularly for oilseeds), increased returns in the livestock sector and modest improvement in general economic conditions.

-- In the livestock sector, expanding meat demand, smaller than expected supplies of market hogs and increasing returns to producers of livestock, poultry and milk.

The higher farm prices have alleviated cash flow and credit problems for many producers. Realized net income in the first half of 1978 is at an annual rate of $23 billion. Foreign demand for the major crops points to a record volume of agricultural exports in 1977/78.

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Prospects

Income prospects for crop producers in the second half of the year will hinge on policy and programs for 1978 crops and the effect of weather on the size of U.S. and world harvests. Returns to livestock producers should continue to improve through the year.

INITIATIVES

--The reserve programs will be used to remove any excess 1978-crop production. Therefore, we are removing the 35 million ton ceiling on the farmer-held wheat and feed grain reserve. In addition, we will eliminate interest charges on loans after a commodity has been in reserve for one year.

The reserve gives producers the opportunity to hold their crops off the market, at low cost, to await higher market prices, cushions consumers and livestock producers against severe price increases in the event of a poor harvest and enhances our dependability as a supplier of farm products. The interest elimination, in addition to the 25 cent per-bushel-per-year storage payments to farmers in the reserve, should broaden participation and increase the reserve's price strengthening potential.

--We are offering feed grain producers who participate in the set-aside program incentive payments for taking out acreage in addition to the 10 percent set-aside required in the current program. Participants will be eligible for payment for diverting 10 percent of the feed grain acreage remaining after set-aside compliance. The diversion payments and additional set-aside will:

1. Provide additional economic incentives for participation in the farm programs to achieve the level of protection for producers envisioned under the new legislation;

2. Give grain producers immediate cash assistance and potentially provide producers with a $3-4 billion boost in net returns,

3. Strengthen market prices by bringing feed grain supplies into better balance with demand, and

4. Conserve energy and natural resources, while providing an accessible land reserve for use when supplies decline.

--We are offering payments to producers who graze wheat already planted. The payments will be 50 cents per bushel or the deficiency payment, whichever is larger, on normal production from up to 40 percent of planted acreage or 50 acres, whichever is larger. This should further reduce supplies and stregthen wheat prices.

--We are urging Congress to pass our proposals for an Economic Emergency Loan Program and an International Emermgency Wheat Reserve.

The loan program is an intermediate measure to improve credit access for farmers and ranchers with most serious debt repayment problems.

We are prepared to purchase wheat on the market, in addition to accumulation from CCC loan forfeiture, to build an emergency reserve of about 6 million tons (220 million bushels). The reserve will insure that we can meet our food commitments in times of short supply.

--We are implementing a loan rate of $4.50 per bushel on 1978-crop soybeans to balance soybean loans with competing crops.

--We will pay cotton producers who set aside 10 percent of their planted acreage 2 cents per pound on the normal production for their planted acreage.

--We are making a preliminary announcement of the loan rate and target price for 1978-crop rice, with the loan rate at $6.40 per hundredweight and a target price at $8.53 per hundredweight. A set-aside program for rice will not be implemented in 1978.

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